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FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

Implementation of the recommendations of the Board of Auditors

Inventory control system for non-expendable property at Headquarters

Report of the Secretary-General

I. INTRODUCTION

1. In its resolution 49/216 A of 23 December 1994, the General Assembly endorsed the view of the Board of Auditors (A/49/214, annex) that the current inventory control system was deficient and unreliable, and requested the Secretary-General and the relevant executive heads of the United Nations organizations and programmes to address those issues accordingly. The present report has been prepared in response to that request.

II. SUMMARY OF THE MAIN CONCERNS; DEFINITION OF NON-EXPENDABLE PROPERTY, AND RESPONSIBILITIES OF THE PROPERTY MANAGEMENT UNIT

A. Main concerns

2. The four main concerns which have been expressed by the Board of Auditors and the General Assembly over the past several years in regard to the inventory control system, are as follows:

(a) Property accountability should be transferred to end-users;

(b) Correcting the deficiencies and updating inventory records will require a physical inventory of non-expendable property;

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(c) The value of the cumulative inventory of non-expendable property is unreliable;

(d) The inventory controls and property records for non-expendable property are deficient and unreliable.

B. Definition of non-expendable property

3. There are three categories of non-expendable property:

(a) Non-expendable property is defined as property or equipment valued at $1,500 or more per unit at the time of purchase and having a service life of at least five years (generators, kitchen equipment, major equipment, vehicles, etc.);

(b) Special items are property items considered to be of an attractive nature and easily removable from premises because of their size, costing $500 or more per unit at the time of purchase and with a serviceable life of five years or more (computers, cameras, televisions, facsimile machines, tape recorders, etc.);

(c) Group inventory items (e.g., furniture, including modular work stations), with a serviceable life of five years or more irrespective of value.

C. Definition of the responsibilities of the Property Management Unit

4. The Property Management Unit in the Buildings Management Service, Office of Conference and Support Services, is responsible for overseeing the central inventory at Headquarters, including the coordination of the physical inventories conducted by departments and offices. The Unit is also responsible for custody of furniture items and disposal of all property at Headquarters surveyed through the Headquarters Property Survey Board. It also provides the necessary equipment, supplies, training and other information related to the physical inventory.

5. To address the above-mentioned concerns, the Secretary-General has taken the measures which are described below with respect to non-expendable property at Headquarters.

III. MAIN CONCERNS

A. Main concern 2 (a): Property accountability should be transferred to end-users

Delegation of authority to departments and offices

6. With regard to the transfer of property accountability to end-users, the Secretary-General, in accordance with the provisions of financial rules 110.25

and 110.26, intends to delegate to each head of department and office authority over property assigned to that department or office. Such delegation replicates the delegation of authority already granted to offices away from Headquarters. Under this new policy of decentralization, each department and office at Headquarters shall be responsible and accountable for the safe-custody, effective utilization and control of all property assigned to it. Moreover, each department and office shall continue to be responsible and accountable for creating, maintaining and updating its property records, monitoring movement of its property, recommending disposal of obsolete and unserviceable property and conducting periodic physical inventories during each biennium. Departments and offices will be required to designate a property records custodian as the focal point and to set up their own administrative arrangements for that purpose.

B. Main concern 2 (b): Correcting the deficiencies and updating the inventory records will require a physical inventory of non-expendable property

1. Initial physical inventory

7. The Secretary-General recognizes the importance of establishing an updated physical inventory as a means of determining the extent of the Organization's assets and an effective manner of utilizing such resources. In this connection, the Secretary-General is pleased to report that, as recommended by the Board of Auditors, an initial comprehensive physical inventory of non-expendable property was conducted at Headquarters from June to August 1995. The inventory covered all items under all sources of funding. Each department and office conducted an inventory, utilizing a team of its own staff members who had earlier been given appropriate training and briefing for this endeavour. All departments and offices, including liaison offices, committees and commissions, were inventoried. The results of the initial physical inventory are summarized as follows:

	Number of items	Value (United States dollars)
Non-expendable property	1 502	19 344 388
Special items	22 956	35 966 614
Group inventory items	64 518	25 132 144
Total	88 976	80 443 146

8. The total of these three categories of property has been recorded in a computerized inventory system described in paragraphs 12 and 13 below and constitutes a central inventory record of the Organization's fixed assets at Headquarters. Property items recorded in the inventory system will serve as a basis for verifying and reconciling subsequent inventories. Their values will be used to update the disclosure of the Organization's assets in the memorandum control account.

9. All property owned by or loaned to the United Nations in serviceable condition has been recorded. Leased property or that which has been leased with an option to purchase was not part of the initial inventory, because accountability and control are already exercised through separate contractual agreements maintained by the Purchase and Transportation Service or the respective substantive offices.

2. Frequency of subsequent inventories

10. The Secretary-General is aware that, in order to make the property records more reliable and useful, it is desirable to conduct frequent physical inventories. Therefore, the Secretary-General has decided that comprehensive physical inventories will be conducted by each department and office every two years. Special inventories may be conducted, as necessary.

C. Main concern 2 (c): The value of the cumulative inventory of non-expendable property is unreliable

Assigned values

11. Since a significant number of property items were acquired many years ago, the original purchase records from which to obtain the purchase prices were not available in all cases. Therefore, unit prices or values of the property in the initial physical inventory were assigned based on the original records where these were available, and where such records were not available, a best judgement based on past experience and market costs was used in arriving at reasonable estimates. Property acquired after the initial physical inventory will be valued on the basis of the actual unit prices reflected in the purchase orders and other pertinent acquisition papers. In both cases, the assigned values will be maintained throughout the serviceable life cycle of the property items recorded.

D. Main concern 2 (d): Inventory controls and property records for non-expendable property are deficient and unreliable

1. Computerized inventory system: property records and controls

12. To improve the maintenance of property records and custodial control over property items, the Secretary-General views the establishment of a computerized system as an essential tool in the management and control of the Organization's assets. To that end, a computerized inventory system has been developed. The system has been designed to monitor property assigned to departments and offices and provides a method of recording information, retrieving data and generating reports. Each department and office will have access only to its own inventory record. However, the Property Management Unit in the Buildings Management Service, as the unit responsible for the central inventory, will have access to all inventory records.

13. The property has been recorded by using property codes listed in the United Nations Common Coding System. The codes have been adopted by the United Nations procurement system to ensure uniform classification of commodities. In addition, property has been identified by unique identification numbers assigned to each individual item classified as non-expendable property or special items. Furniture items have been identified as a separate group by using labels because such items are less vulnerable to theft or movement on account of their size. Items recorded can be located by department and office, section, building and floor. The reports generated by the system provide the inventory records for Headquarters and the respective departments and offices, broken down into the three categories of non-expendable property, as defined in paragraph 3 above. A summary of four of the main reports is provided in the annex to the present report.

2. Guidelines on procedures

14. Guidelines and instructions on the procedures for property management and inventory control at Headquarters have been prepared, and copies will be distributed to each department and office for their respective use.

3. Disposal of existing obsolete and unserviceable property items

15. The Secretary-General notes that in conjunction with the physical inventory which has just been concluded, departments and offices have been requested to identify obsolete and unserviceable equipment. Such items, together with those in storage, will be disposed of under special procedures in order to clear a large backlog and speed the release of valuable space.

4. Property passes and final clearance

16. With a view to strengthening further the controls of property management, the Secretary-General has also decided that property assigned to staff members under the property procedures, for use away from their offices, such as at home or on mission assignment, will be monitored more closely by each department and office through the property custodian, who will be required to maintain such records. As an additional safeguard, each department and office will require all of its staff members to obtain final clearance from the property custodian for United Nations property upon their separation from service, reassignment or transfer to another department or office or mission assignment.

IV. CONCLUSION

17. The Secretary-General believes that these new measures have addressed all of the main concerns and will strengthen the internal controls, improve property records and enhance the effective utilization of asset resources. A new administrative instruction will be issued to advise staff members of these new measures and procedures.

ANNEX

Summary of the main reports

(in United States dollars)

A. Summary of the total inventory by property group

	Number of items	Value
Non-expendable items	1 502	19 344 388
Special items	22 956	35 966 614
Group inventory items	64 518	25 132 144
Total	88 976	80 443 146

B. Summary report by building location

	Building name	Non-expendable items	Special items	Group items	Total
1	Secretariat	18 669 666	29 201 131	20 298 745	68 169 542
2	UNDC II	431 864	3 631 810	2 528 319	6 591 993
3	UNDC I	178 975	2 159 585	1 752 450	4 091 010
4	ALCOA	6 594	659 931	385 905	1 052 430
5	UNITAR	-	126 959	162 145	289 104
6	Park Ave. South	57 289	186 598	4 580	248 467
7	UNDC III (UNICEF)	-	600	-	600
	Total	19 344 388	35 966 614	25 132 144	80 443 146

C. Summary report by department and office

No.	Department/Office	Non-expendable items	Special items	Group items	Total
1	Administration and Management a/	16 383 515	24 617 651	17 073 324	58 074 490
2	Public Information	2 598 218	3 234 873	2 357 980	8 191 071
3	Peace-keeping Operations	208 911	1 247 460	1 176 162	2 632 533
4	Economic and Social Information and Policy Analysis		1 396 711	842 821	2 239 532
5	Development Support and Management Services		1 208 842	1 009 250	2 218 092
6	Political Affairs	52 259	1 372 094	693 490	2 117 843
7	Policy Coordination and Sustainable Development		809 798	549 147	1 358 945
8	Various offices b/		539 689	399 895	939 584
9	Legal Affairs		454 295	387 765	842 060
10	United Nations Special Commission	67 530	474 776	200 425	742 731
11	Internal Oversight Services	16 550	329 141	212 760	558 451
12	Humanitarian Affairs	3 600	264 039	185 570	453 209
13	United Nations Joint Staff Pension Fund	13 805	17 245	43 555	74 605
	Total	19 344 388	35 966 614	25 132 144	80 443 146

a/ The Department of Administration and Management is the custodian of the largest volume of property, required for the wide variety of services which it provides.

b/ Office of the Secretary-General, regional economic and other commissions, the Secretariat of the United Nations Fiftieth Anniversary and liaison offices.

D. Summary of top 10 property classes by volume of expenditure

No.	Non-expendable items		Special items		Group items (furniture)	
1	Computer network communication	2 535 699	Computers, personal computer laptops and terminals	13 896 584	Shelving units	9 184 305
2	Radio and television receivers, recording and reproducing	2 015 371	Cryptographic equipment	8 180 093	Workstations	4 401 130
3	Printing presses	800 980	Telephone and intercom equipment	4 476 088	Cabinets, filing	4 134 282
4	Voting equipment	800 000	Laser printers	2 949 022	Desks	2 740 310
5	Vehicles, tractors	592 994	Video cassette recorders	1 068 679	Chairs, office	1 586 550
6	Multiplex equipment telephone and data	535 811	Printing and plotting devices for electronic data processing	1 027 490	Seats, conference, other	1 207 720
7	Binding machine, gluing type	488 500	Television and video monitors, television and radio receivers	559 572	Tables, office and typing	1 015 212
8	Collators and decollators	479 432	Modems	513 324	Data-processing furniture	886 557
9	Cabinet, storage for media	418 298	Facsimile machines	397 207	Conference room furniture	676 160
10	Taping and recording decks	400 610	Tape recorders and record players	329 375	Sofas	254 469